

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-08
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TO SECSTATE WASHDC 6576
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AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY ROME
USMISSION NATO
AMEMBASSY PARIS
USMISSION GENEVA
USNMR SHAPE
AMCONSUL BELFAST
AMCONSUL EDINBURGH

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USEEC ALSO FOR EMBASSY

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E.O. 11652: N/A
TAGS: ELAB UK PINT
SUBJECT: JULY UNEMPLOYMENT FIGURES SHOW WORRYING
INCREASE

SUMMARY. STATISTICS RELEASED ON JULY 26 SHOW THAT THE
INCREASE IN UNEMPLOYMENT OBSERVED IN JUNE WAS CONTINUED
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DURING THE PAST MONTH. TOTAL CRUDE UNEMPLOYMENT IN THE
UNITED KINGDOM ROSE TO 1.61 MILLION, OR 6.8 PERCENT OF
THE POPULATION. THE INCREASE WAS PARTLY ACCOUNTED FOR
BY THE 104,397 INCREASE IN THE NUMBERS OF UNEMPLOYED
SCHOOL LEAVERS, TO A TOTAL OF 253,379, THOUGH THERE WAS
ALSO AN UNEXPECTEDLY LARGE INCREASE IN THE NUMBER OF
ADULT UNEMPLOYED. AFTER SEASONAL ADJUSTMENTS THE RATE

OF ADULT UNEMPLOYMENT IN THE UK IS NOW 5.9 PERCENT, REPRESENTING 1.39 MILLION PEOPLE. THOUGH THE GOVERNMENT HOPES THAT RECENT MEASURES TO COMBAT YOUTH UNEMPLOYMENT WILL BEGIN TO REDUCE THE NUMBERS BY SEPTEMBER, THE MORE IMMEDIATE PROBLEM IS THE EXTENT TO WHICH DETERIORATING UNEMPLOYMENT LEVELS WILL INFLUENCE THE RELATIONS BETWEEN THE GOVERNMENT AND THE TRADE UNIONS. AT A TIME WHEN THE GOVERNMENT'S POLITICAL AND ECONOMIC SURVIVAL COULD DEPEND ON THE DEGREE OF RESTRAINT UNIONS SHOW IN THEIR WAGE CLAIMS, THE GOVERNMENT WOULD DEARLY LOVE TO POINT TO A FALLING RATE OF UNEMPLOYMENT. END SUMMARY.

1. THE MONTHLY UNEMPLOYMENT FIGURES, PUBLISHED ON JULY 26, SHOW SIGNIFICANT INCREASE FOR THE SECOND SUCCESSIVE MONTH. THE CRUDE TOTAL OF THOSE REGISTERED AS UNEMPLOYED WAS 1,545,063 IN GREAT BRITAIN AND 1,613,956 IN THE UNITED KINGDOM. THESE TOTALS REPRESENT 6.7 PERCENT OF THE RESPECTIVE WORKING POPULATIONS, AND EACH SHOWS AN INCREASE OF OVER 150,000 ON THE PREVIOUS MONTH. AGAIN THE MAJORITY OF THE INCREASE WAS DUE TO THE INFLUX OF SCHOOL LEAVERS ON TO THE LABOR MARKET; 241,552 ARE STILL WITHOUT JOBS IN GREAT BRITAIN, AN INCREASE OF 98,843 OVER LAST MONTH. THE EQUIVALENT FIGURES FOR THE UNITED KINGDOM IS 253,379, UP 104,397 ON THE JUNE TOTAL.

2. THE INCREASES IN THE NUMBER OF UNEMPLOYED SCHOOL
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LEAVERS DID NOT SURPRISE THE GOVERNMENT, THOUGH THE GREATER CONCERN MAY BE FOR THE INCREASES IN ADULT UNEMPLOYMENT. THE NEW FIGURES SHOW THAT SEASONALLY ADJUSTED ADULT UNEMPLOYMENT REACHED 1.39 MILLION IN THE UK, AN INCREASE OF 40,900 IN THE LAST MONTH AND REPRESENTING 5.9 PERCENT OF THE WORKING POPULATION. IN GREAT BRITAIN, SEASONALLY ADJUSTED ADULT UNEMPLOYMENT WAS 1.34 MILLION, OR 5.8 PERCENT, AN INCREASE OF 38,900.

4. FURTHER GOVERNMENT CONCERN RESULTS FROM THE DATA RELATING TO THE NUMBER OF NOTIFIED VACANCIES REGISTERED AT DEPARTMENT OF EMPLOYMENT OFFICES. THE TOTALS FELL TO 150,600 IN GREAT BRITAIN AND 163,209 IN THE UNITED KINGDOM, BOTH REPRESENTING FALLS OF MORE THAN 5,000 IN THE MONTH TO MID-JULY.

5. THESE FIGURES TEND TO REINFORCE THE IMPRESSION CREATED BY THE JUNE DATA, THAT THE RELATIVELY STABLE LEVELS OF UNEMPLOYMENT IN THE EARLY MONTHS OF 1977 WERE A SHORT-LIVED RESPITE. THE NEW INCREASES ARE MORE IN LINE WITH OTHER ECONOMIC INDICATORS AND FORECASTS, AND SUGGEST THAT THE UNDERLYING TREND IS UNLIKELY TO SHOW

ANY IMMEDIATE IMPROVEMENT. IT IS DIFFICULT TO ESTIMATE
THE IMPACT THAT DETERIORATING UNEMPLOYMENT LEVELS ARE
LIKELY TO HAVE ON FUTURE WAGE SETTLEMENTS NOW THAT
STAGE II PAY RESTRAINT POLICY IS EXPIRING. CLEARLY THE
GOVERNMENT WOULD PREFER TO BE CALLING FOR MODERATION

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AGAINST A BACK-CLOTH OF FALLING UNEMPLOYMENT.
ALREADY THE FIGURES HAVE BEEN
GREETED WITH CALLS FOR REFLATIONARY POLICIES BY AT LEAST
ONE TRADE UNION LEADER, THOUGH THE OFFICIAL TUC REACTION
IS LIKELY TO COME FOLLOWING TODAY'S (JULY 27) MEETING
OF THE GENERAL COUNCIL.

6. THE GOVERNMENT HAS ALREADY HAD ITS SHARE OF CRITICISM FROM THE CONSERVATIVES FOLLOWING THE ANNOUNCEMENT
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OF THE FIGURES IN THE COMMONS YESTERDAY. MR. CALLAGHAN AGAIN STRESSED THAT THERE IS NO QUICK SOLUTION TO THE PROBLEM WHICH AFFLICTS ALL THE WESTERN ECONOMIES, THOUGH EMPLOYMENT SECRETARY ALBERT BOOTH EXPRESSED THE HOPE THAT THE SPECIAL MEASURES TO ALLEVIATE YOUTH UNEMPLOYMENT WOULD BEGIN TO PAY DIVIDENDS IN SEPTEMBER. THIS MAY WELL PROVE TO BE THE CASE; HOWEVER, THE CYCLICAL FLOW OF YOUNG PEOPLE ON TO THE REGISTER IS PERHAPS NOT THE MAJOR PROBLEM INDICATED BY THE LATEST FIGURES. OF MORE IMMEDIATE IMPORTANCE TO THE GOVERNMENT IS THE INCREASE IN ADULT UNEMPLOYMENT WHICH HAS BEEN SEEN IN BOTH JUNE AND JULY. THESE INCREASES HAVE BEEN MORE THAN ENOUGH TO CANCEL OUT THE SMALL FALL THAT WAS RECORDED IN THE EARLIER MONTHS OF THE YEAR. COUPLED WITH THE FALLING NUMBERS OF REGISTERED VACANCIES, THIS REPRESENTS A TREND THAT MUST CONCERN THE GOVERNMENT, NOT LEAST FOR ITS POSSIBLE EFFECT ON THE RELATIONS WITH THE TRADE UNIONS WHICH WILL BE OF CENTRAL IMPORTANCE TO MR. CALLAGHAN'S ECONOMIC AND POLITICAL FUTURE.

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